

IMPLEMENTATION OF S.B. 223, "TAX AMENDMENTS"

DRAFT SCHEDULE FOR 2007 INTERIM STUDY

S.B. 223 Study Requirement

"During the 2007 interim, the Revenue and Taxation Interim Committee [("the Committee")] shall, with the assistance of the Utah Tax Review Commission, draft legislation to repeal the state individual income tax imposed on the basis of graduated brackets and rates [("traditional system")]."

Proposed Five Area Study¹

Area I:	Trusts and Estates (Title 59, Chapter 10, Part 2, Trusts and Estates) Partnerships (Title 59, Chapter 10, Part 3, Partnerships) Limited Liability Companies (Title 59, Chapter 10, Part 8, Limited Liability Companies) Income Taxation of Other Business Entities (if needed)
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Issues include: Trusts and estates are currently not permitted the election to pay income taxes under the single rate system and are taxed on the basis of the traditional system. If the traditional system is repealed, income tax policy for trusts and estates will need to be developed. As part of this process, the Committee could also consider tax policy relating to the income taxation of other business entities. A working group could be convened to begin addressing these issues, such as the Utah Tax Review Commission's trust and estate working group.

Area II:	Traditional System (Title 59, Chapter 10, Part 1, Determination and Reporting of Tax Liability and Information) Single Rate Income Tax (Title 59, Chapter 10, Part 12, Single Rate Individual Income Tax Act)
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Issues include: The single rate system incorporates by reference many provisions of the traditional system, such as provisions relating to income additions and deductions, tax credits, administration, and withholding. These provisions will need to be addressed before repealing the traditional system.

Area III:	Tax Credits (Title 59, Chapter 10, Part 10, Nonrefundable Tax Credit Act, and Part 11, Refundable Tax Credit Act)
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Issues include: Because tax credits allowed under the traditional system are incorporated into the single rate system by reference, any tax credits allowed under the single rate system would need to be addressed.

Area IV:	Withholding (Title 59, Chapter 10, Part 4, Withholding of Tax) Procedure and Administration (Title 59, Chapter 10, Part 5, Procedure and Administration)
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Issues include: Provisions relating to withholding and tax administration procedure will need to be examined to determine whether any statutory changes are necessary in repealing the traditional system.

Area V:	Sales and Use Tax and Miscellaneous Issues
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Issues include: Addressing provisions relating to the vendor discount as a result of sales and use tax changes in S.B. 223.

¹ Because the Utah Code database is currently being updated to reflect legislative action during the 2007 General Session, draft legislation could be presented to the Committee no sooner than the June interim meeting.